



MEMORANDUM

TO: Mayor and Council

FROM: Mark Washington, Human Resources and Civil Service Director

DATE: April 3, 2015

SUBJECT: City Employee Benefits Coverage of Applied Spectrum Disorders

The purpose of this memorandum is to provide you with information regarding services covered by the City Employee Medical Plan for Autism Spectrum Disorders (ASD). ASD related diagnoses are defined by the presence of unusual behaviors and interests along with significant impairments in social interaction and communication.

In recent weeks, my staff and I have received several inquiries regarding ASD treatments covered by the City's medical plan. Additionally, this subject has been discussed in Citizen Communication during recent Council meetings, the February 9th meeting of the Mayor's Committee for Persons with Disabilities, and is on the agenda for the upcoming Health and Human Services Committee meeting on April 6th. In most of these instances, the City's exclusion of Applied Behavior Analysis (ABA) therapy from our medical plan has been the focus. I have taken the liberty of providing background and context to this complex issue.

Current Coverage of Autism Spectrum Disorder (ASD)

ASD services currently included in the City of Austin's medical coverage provide generally recognized treatments prescribed in relation to ASD diagnoses. These services must be part of a treatment plan recommended by a physician and rendered by appropriately certified and licensed practitioners. These services may include: evaluation and assessment services, behavior training and behavior management, speech therapy, occupational therapy, physical therapy, and medications and nutritional supplements used to address symptoms of ASD.

Applied Behavior Analysis (ABA)

ABA is an early intensive behavioral intervention that generally focuses on children under seven years of age. The treatment targets adaptive skills, communication, and social interactions. Treatment is customized to the recipient and is structured to provide consequences that reinforce desired behavior while allowing unreinforced behaviors to become less frequent. Treatment often begins with 20 to 40 hours per week of one-on-one intervention and will generally begin in the child's home with the goal of transitioning to a specialized center-based program that can be replicated in a school or community facility. Goals generally include integration into a mainstream school environment.

Annual Review of Coverages

Each year the City reviews coverages and considers changes as part of the preparation of the proposed budget for the upcoming benefits plan year beginning January 1. Major considerations include affordability and comparativeness with plans offered by other employers in our job market. Current annual cost estimates for ABA coverage range from \$668,000 to \$996,000. Further, ABA coverage is not widely covered by competing employers. Given these, and other considerations, ABA coverage has not been added to the City's medical plan.

As we continue the process of developing the FY16 Proposed Budget, a major cost driver will be the provision of medical benefits. Prior to adding coverages to our medical plan, it is important to consider the larger implication these additions will have on the City's Employee Benefits Fund and overall operating budget.

Recent trends indicate that some local public employers are providing ABA coverage including Travis County and AISD. The State of Texas, City of San Antonio, and City of Houston do not provide ABA coverage. The City is currently surveying other employers regarding their plans for 2016.

Affordability and Sustainability of Health Plans

My staff and I have worked closely with Towers Watson, who provides the City with benefits consulting and actuarial services, to fully understand both the current and future fiscal status of our medical plan. We know that there are several factors challenging the City's ability to sustain affordable medical benefits in FY16 and beyond. After several years of favorable claims experience, the City is undergoing a significant uptick in claims as much as 13% this year. In addition, according to estimates from Towers Watson, if the City maintains its health benefits at current levels, it will reach the threshold set by the Affordable Care Act to begin paying an excise tax in amounts projected at \$1 million in 2018, \$2 million in 2019, and over \$3 million in 2020. The FY16 Proposed Budget will consider changes to help moderate these cost increases including the promotion of healthy behaviors through our award-winning wellness programs.

The City is currently conducting analyses of benefit enhancements directed by Council resolution. Resolution No. 20141211-133 directs the City Manager to include transgender benefits in the FY16 budget. Resolution No. 20150226-036 directs the City Manager to conduct an analysis and report on the cost of adding medical benefits of temporary employees and certain contractors. Finally, the agenda for the upcoming Health and Human Services Committee meeting on April 6, 2015 includes an item to incorporate ABA coverage into the FY16 budget.

The City is committed to promoting the well-being of its employees, retirees, and their families by investing in quality, affordable medical benefits. Escalating medical costs continue to challenge employers throughout the country. Maintaining benefits at a sustainable level requires the deliberate balancing of available funding with the broad range of workforce needs. We recommend that the City Council take a comprehensive look at the proposed changes to the Employee Benefits Fund budget during the budget work sessions.

cc: Marc A. Ott, City Manager
Assistant City Managers
Elaine Hart, Chief Financial Officer
Ed Van Eenoo, Deputy Chief Financial Officer
Tommy Tucker, HRD Assistant Director
Karen Haywood, Employee Benefits Manager